

ARIZONA

TAXNEWS

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E-Mail Your Questions

If you have a question that you cannot find the answer for, our Technical Assistance personnel may prove useful to you. We will gladly respond to any e-mail technical tax inquiry with the exception of specific account inquiries. All inquiries will be responded to within two working days.

E-mail your question to:
TaxpayerAssistance@revenue.e.state.az.us

In the interest of maintaining confidentiality, DOR can not respond to inquiries that include a Social Security number, FEIN, TPT or W/H number, or other specific taxpayer identifiers.

DOR Completes Recodification of the Income and Withholding Tax Rules

The Department of Revenue has recodified the income and withholding tax rules found in the Arizona Administrative Code (A.A.C.), Title 15, Chapter 2. The rules are now organized under the following subchapters: General and Administrative, Withholding, Individuals, Corporations, Tax Exempt Organizations, Estates and Trusts, and Partnerships. The recodification only renumbered and reorganized the existing rules. No substantive changes, such as repeals or amendments, were made to the text of the rules.

Generally, under the old numbering scheme, the Department tied the rule numbers to specific statute numbers. Thus, A.A.C. R15-2-304 related to Arizona Revised Statutes (A.R.S.) Sec. 43-304. This numbering scheme was impractical when a particular statute addressed numerous subjects, such as A.R.S. Sec. 43-1021, additions to Arizona gross income, and A.R.S. Sec. 43-1022, subtractions from Arizona gross income. The old numbering scheme also prevented the Department from making rules that are not

tied to a particular statute. For example, there are no specific statutes that relate to composite returns for nonresident individuals or special entities such as Real Estate Investment Trusts.

Under the new numbering scheme, the rules are organized based on subject matter. The biggest change to the organization of the rules is found with the rules related to the Uniform Division of Income for Tax Purposes Act (UDITPA), which are applicable to taxpayers operating both within and outside Arizona. These rules, found in Subchapter D, Articles 4 through 9, are now shorter and more manageable.

The Notice of Recodification was published in the June 23, 2000, Arizona Administrative Register, which can be found on the Internet at <http://www.sosaz.com/aar/2000/26/recodifictn.pdf>. Included in the Notice of Recodification is a conversion table that provides the disposition of the old rules. If you would like a copy of the Notice of Recodification, please call Tax Research and Analysis at (602) 542-4672. The recodified rules are scheduled to be published by the Secretary of State's Office in the second quarterly supplement to the A.A.C.

Clean Elections Initiative Constitutional but Two Provisions Are Severed

The Arizona Supreme Court held that the provisions in the Citizens Clean Election Act which purport to involve the Commission on Appellate Court Appointments (role of Judicial Nominating Commission and role of Chief Justice) are

unconstitutional and severed them from the remainder of the Act. This decision does not affect the income tax credit and reduction offered by the Act. For your reference, section one of the act covers ARS § 16-940 through 961 and section two, ARS § 16-901.01.

*****REMINDER*****
FOR NON-EFT TPT FILERS

To avoid a delinquency, postmark your July 2000 TPT return no later than the 25th of the month or deliver to DOR no later than August 30, 2000.

May Summary of General Fund Revenues

	<u>May 2000</u>	<u>Fiscal Year Total</u>
Individual Income Tax		
Net Collections	\$108,644,504	\$1,688,162,056
Percent Change *	(5.3%)	6.7%
Corporate Income Tax		
Net Collections	\$28,220,376	\$425,005,691
Percent Change *	(18.2%)	(1.9%)
Transaction Privilege, Severance & Use Taxes		
Net Collections	\$239,313,551	\$2,570,353,712
Percent Change *	7.1%	9.7%
Total Big Three Tax Types		
Net Collections	\$376,178,431	\$4,683,521,459
Percent Change *	0.9%	8.0%

() Decrease from same month last year.

* Percent change from same month last year.

Individual Income Tax

Individual Income Tax Receipts

May 2000	May 2000	May 1999	Change
Gross Collections	\$127,401,801	\$72,556,032	75.6%
Withholding	197,683,331	191,165,719	3.4%
Refunds	(184,964,712)	(120,637,111)	53.3%
Urban Rev Sharing	(31,475,916)	(28,359,221)	11.0%
Net Collections	\$108,644,504	\$114,725,419	(5.3)
Fiscal Year Total (99/00)		(98/99)	Change
Gross Collections	\$737,411,279	\$688,914,380	7.0%
Withholding	2,052,254,702	1,885,827,731	8.8%
Refunds	(755,268,851)	(680,252,026)	11.0%
Urban Rev Sharing	(346,235,073)	(311,951,435)	11.0%
Net Collections	1,688,162,056	\$1,582,538,650	6.7%

TAX CALENDAR

AUGUST 2000

Due Date		For Period Ending
15	Income Tax Returns: Form 120: Corporation Form 140: Individual Form 141: Fiduciary Form 165: Partnership	4/30/00
15	Form 120: Corporation with Automatic Extension	10/31/99
15	Form 120S: S Corporation	5/31/00
15	Form 99: Exempt Organization Annual Information Return	
	Form 99T: Exempt Organization	4/30/00
15	Form 120ES: Estimated Tax Payment, Corporation	
	First Installment	4/30/01
	Second Installment	2/28/01
	Third Installment	11/30/00
	Fourth Installment	8/31/00
21	Form TPT-1: Transaction Privilege Tax: July Monthly Filers	7/31/00
21	Bingo: Financial Reports	7/31/00
21	Luxury Tax: Various Forms	7/31/00
25	EFT Form TPT-1 and Payment: Transaction Privilege Tax: July Monthly Filers	7/31/00

Withholding Information:

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **exceeds** \$1,500 the employer must make its Arizona withholding payments to the Department of Revenue at the same time as the employer is required to make federal withholding deposits.

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **does not exceed** \$1,500 the employer must make its Arizona withholding payments to the department on a quarterly basis.

The Arizona Tax News is a monthly publication of the Arizona Department of Revenue. Information contained herein is of a general nature and is not designed to address complex issues in detail. Taxpayers requiring information concerning a specific tax matter should contact the appropriate office. This newsletter is available in alternative formats upon request by calling the telephone number shown below. Subscription information may be obtained from the Community Outreach & Education Section, 1600 W. Monroe, 6th floor, Phoenix, AZ 85007, or call Tony Manzo at (602) 542-3062 or toll free 1-(877) 863-0655.

Flagstaff Change in City Tax Code

The City of Flagstaff has increased their Transaction Privilege Tax rate from 1% to 1.51% on the following classifications:

- Amusements
- Construction Contracting
- Feed at Wholesale
- Job Printing
- Manufactured Buildings
- Timbering and Other Extraction
- Publishing
- Hotels
- Rental of Real Property
- Rental of Tangible Personal Property
- Restaurants/Bars
- Retail Sales
- Telecommunications
- Transporting for Hire
- Utility Services

Gilbert Change in City Tax Code Effective July 1, 2000

The Common Council of the Town of Gilbert has passed Ordinance No. 1271. Ordinance No. 1271 increases the transaction privilege tax rate from 1% to 1.5%. The tax will continue to be reported using Code GB. The tax increase applies to the following tax classifications:

- Advertising
- Amusements
- Construction Contracting
- Feed at Wholesale
- Job Printing
- Manufactured Buildings
- Timbering & Other Extraction
- Publishing, Rental Occupancy
- Hotels
- Rental of Real Property
- Rental of Tangible Personal Property
- Restaurant/Bar
- Retail
- Telecommunications
- Transporting for Hire
- Utilities

Sahuarita Change in City Tax Code Effective September 1, 2000

The Town of Sahuarita has passed Ordinance No. 2000-07 increasing the tax rate on Transaction Privilege Tax. The Transaction Privilege Tax rate is increased from 1% to 2% and shall be reported using CODE SA. The increase to 2% affects the following classifications:

- Advertising
- Amusements
- Job Printing
- Manufactured Buildings
- Timbering and Other Extraction
- Publishing
- Hotels
- Rental of Real Property
- Rental of Tangible Personal Property
- Restaurants and Bars
- Retail
- Telecommunications
- Transporting for Hire
- Utility Services

The Transaction Privilege Tax rate on all classes of Construction contracting has been increased from 1% to 3% and shall be reported using CODE SA2. Construction contracting includes construction contractors, speculative builders and owner-builders who are not speculative builders. The Additional tax on Transient Lodging shall continue at the rate of 2% reported using CODE SA3. The increased tax rate shall not apply to contracts entered into, approved financial assurances, or permits issued prior to September 1, 2000. Pre-existing contracts will remain at 1% reported using CODE SA9.

PRIVATE TAXPAYER RULING LR00-003

March 31, 2000

The department was asked to rule on whether two individuals who jointly purchase an alternative fuel vehicle may each claim a portion of the Arizona income tax credit for the purchase of an alternative fuel vehicle.

The following private taxpayer ruling is in response to a letter dated February 18, 2000. The department was asked to rule on whether two individuals who jointly purchase an alternative fuel vehicle may each claim a portion of the Arizona income tax credit for the purchase of an alternative fuel vehicle. The following is a restatement of the facts in the letter.

Statement of facts:

On September 4, 1999, Taxpayer, accompanied by her father, went to an auto dealership to purchase a natural gas vehicle. During the discussion about the advantages of purchasing the car, the Arizona income tax credit for the purchase of an alternative fuel vehicle was considered. Taxpayer determined that she did not have sufficient tax liability to make the purchase economically worthwhile. Taxpayer then inquired of the dealership whether she and her father could jointly purchase the car to take advantage of the income tax credit. She was advised that if she and her father jointly purchased the car, they could both claim the tax credit as long as the total amount claimed was not more than the maximum allowable credit. Taxpayer and her father jointly purchased the alternative fuel vehicle.

Applicable statutory provision:

Arizona Revised Statutes (A.R.S.) § 43-1086 provides an income tax credit for each taxpayer who purchases one or more new original equipment manufactured alternative fuel vehicles for use in Arizona.

Discussion:

A.R.S. § 43-1086 provides, in relevant part, an income tax credit for each taxpayer who purchases one or more new original equipment manufactured alternative fuel vehicles for use in Arizona. The statute provides for a split of the credit in only two situations. Subsection F provides that a

husband and wife who file separate returns for a taxable year in which they could have filed a joint return may each claim only one-half of the credit. Subsection G provides that co-owners of a business may each claim only the pro rata share of the credit based on the ownership interest. There is no provision in the statute which allows other individual joint purchasers of an alternative fuel vehicle to split the allowable credit. Since there is no provision to split the credit, only one of the joint purchasers may claim the credit.

Conclusion and ruling:

The following ruling is given based on the facts presented in the request. The department rules that the joint purchasers of an alternative fuel vehicle described in the request dated February 18, 2000, may not split the Arizona income tax credit for the purchase of an alternative fuel vehicle. The credit may be claimed by only one of the joint purchasers.

The conclusion in this private taxpayer ruling does not extend beyond the facts as presented in the letter dated February 18, 2000, requesting a private taxpayer ruling.

This response is a private taxpayer ruling and the determination herein is based solely on the facts provided in your request. The determination in this taxpayer ruling is the present position of the department. This determination is subject to change should the facts prove to be different on audit. If it is determined that undisclosed facts were substantial or material to the department's making of an accurate determination, this taxpayer ruling shall be null and void. Further, the determination is subject to future change depending on changes in statutes, administrative rules, case law or notification of a different department position.

Gila Bend Change in City Tax Code Effective August 1, 2000

The Town of Gila Bend's Additional Tax on Transient Lodging of 2% will be collected by the Arizona Department of Revenue. This tax should be reported on the TPT-1 form using CODE GI3. The Town will no longer be self-collecting this tax.

Congratulations to Vince Perez the New Assistant Director of Transaction Privilege Tax

Director, Mark Killian and Deputy Director, Cindy Kappler Announced to the Department of Revenue that Vince Perez will be the new Assistant Director of the Transaction Privilege Tax Section.

Vince Perez has worked for the Department since 1988 including Legislative Liaison, Public Information Officer, Field Audit Operations Manager in Transaction Privilege and Use Tax Audit and Supervisor in the Tax Research and Analysis Section.

Before working for the Department, Vince worked for the Department of Economic Security.



*Left: Director, **Mark Killian** congratulates **Vince Perez** on his appointment to Assistant Director of Transaction Privilege Tax.*

Register for Special Pricing to Attend the 2000 IRS Nationwide Tax Forum & Exhibitions

The IRS Nationwide Tax Forum is just around the corner. The Arizona Department of Revenue has arranged for special pricing to be made available to you, if you register through the department.

The Arizona Department of Revenue will have an informational booth at the Nationwide Tax Forum that will be held September 12-14, 2000 in Las Vegas, Nevada. There will be representatives from the department's E-Commerce Section and Electronic Filing Section.

The basic fee to attend the Tax Forum this year is \$50.00 for the first attendee. The second member from the same business or organization pays \$35.00, and all subsequent members of the same business or organization, including spouse, pay \$25.00. However, sending your registration form

directly to the Arizona Department of Revenue, Electronic Filing Division, you pay only \$25.00 per attending member. Please be sure to follow the instructions to receive the \$25.00 rate.

*The Arizona Department of Revenue must receive your registration form **TWENTY-ONE (21) days (August 23, 2000) before the Tax Forum, to forward your registration in time to be guaranteed a seat at the Awards Banquet.** Register for special pricing at our web site: <http://www.revenue.state.az.us/seminar/nationwde.htm>*

For more information call:
(301) 593-0200
Public Affairs International

Electronic Filing Seminars

The Arizona Department of Revenue (DOR) and the Internal Revenue Service jointly sponsor free Federal/State Electronic Filing educational seminars in various locations around Arizona.

These promotional seminars provide an overview of the requirements to become an e-file provider – from the application process to how to buy software. It also includes an explanation of DOR procedures and requirements.

Free Fingerprinting on site – for anyone needing to submit fingerprints with the Federal application.

Earn CPE credits for attendance!

What topics are covered?

- Why File Electronically?
- Advantages of e-file
- How to use the FREE e-file marketing database
- How do I get started?
- Step-by-step assistance completing IRS application

Who should attend?

These seminars are designed with the e-file beginner in mind.

Are reservations required?

Yes! There is no charge for the seminar, however you must register. All seminars have limited seating. Register Today!

How do I register?

For more information about *E-File*

seminars and how to obtain a registration form:

Call: 602-207-8337 or 602-207-8623

Mail: Internal Revenue Service
210 E Earll Drive – MS 4040 PHX
Phoenix, AZ 85012-2623

Fax: *E-File Seminars* 602-207-8630

Email: doris.a.gunkel@irs.gov
rosemary.c.jackson@irs.gov